



# City of Hampton, VA

## Meeting Minutes

### City Council

22 Lincoln Street  
Hampton, VA 23669  
[www.hampton.gov](http://www.hampton.gov)

*Ross A. Kearney, II*  
*Will Moffett*  
*Joseph H. Spencer, II*  
*Molly Joseph Ward, Mayor*

*Christopher G. Stuart*  
*Donnie R. Tuck*  
*George E. Wallace*

*Staff:*  
*Mary Bunting, City Manager*  
*Cynthia Hudson, City Attorney*  
*Katherine K. Glass, CMC, Clerk of Council*

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Wednesday, March 28, 2012

9:00 AM

Hampton History Museum

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#### **CALL TO ORDER/ROLL CALL**

#### **MOLLY JOSEPH WARD PRESIDED**

**PRESENT:** Will Moffett, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace

**ABSENT:** Ross A. Kearney, II, Joseph H. Spencer, II

The meeting was called to order by Mayor Ward at 9:08 a.m. Mayor Ward turned the meeting over to the City Manager, Mary Bunting.

#### **Agenda**

1. 12-0111 Fiscal Year 2013 Budget - Brainstorming Session

PRESENTED by Mary Bunting, City Manager.

Ms. Bunting explained that the format of the budget work session was to cover employee compensation, expenditure issues, discussion of personnel impacted by the budget (which will be held in closed session), and revenue estimates.

There were several members of the Hampton History Museum Board present and they introduced themselves. There were approximately eight members of the public present along with Daily Press reporter, Robert Brauchle.

Vice Mayor Wallace inquired about the situation with the Virginia Retirement System (VRS). Ms. Bunting explained that she planned to address it in more detail during Council's afternoon session. She stated that most localities pay the 5% employee share of the VRS premium. This started years ago when localities were not able to give raises and it was done because it was paid pre-tax and benefited employees. Now passing along the 5% to new hires is permitted but that creates two classes of employees and Hampton chose not to follow that model because it put Hampton at a competitive disadvantage in seeking employees.

Ms. Bunting continued this year the State has mandated that the employee share must be paid by employees but has allowed localities to increase salaries to cover it. Doing this would clean things up and the salary increase would keep from putting employees in a bad situation. The State did this very late in the budget process and some localities have already increased their budgets without including this.

Ms. Bunting stated the General Assembly also gave local school systems the ability to phase this change in over time, 1% a year, but didn't give localities that option. The General Assembly is currently being lobbied to either delay this for one year to give localities time to work it into their budgets, or allow localities to phase it in at 1% a year over a period of five years. The City may not know until April 18<sup>th</sup> so she plans to include this requirement in her recommended budget and can then pull it if necessary. Hampton will plan for the worst case.

Ms. Cynthia Hudson, City Attorney, stated that a number of localities are questioning the jurisdiction of the General Assembly to direct that localities give raises on the basis that this is a City right, not a State right.

Ms. Bunting also stated that there is a prospect that some employee groups may take action since the VRS contribution was deemed an irrevocable benefit when it was given. Ms. Bunting stated that, with respect to Hampton's workforce, she has attempted to build understanding. Provided the budget can keep employees whole, the employees understand the need for a conversion. It is her recommendation that we do the 6% which it takes to keep the employees whole. She expressed her opinion that after three years of no raises, passing on a cut would be demoralizing. Morale of the employees is very low. Other employers are starting to give raises again, or they never stopped. The Federal government had suspended raises for several years but they have resumed. The military never lost raises and many major employees are returning to giving raises. The workforce appreciates the efforts made on their behalf but there is more work to be done due to eliminated jobs and this creates stress. It is her strong recommendation that we look at that issue and Karl Daughtrey, the Finance Director, can elaborate on the calculations.

Mr. Daughtrey indicated that if the City does 6%, it will cost approximately \$1.7 million. If the City does what the State requires, it will cost \$900,000.

In response to a question by Councilman Moffett, Ms. Bunting explained that the salary increase must be 6% even when the contribution is 5% because FICA and Medicare taxes must be paid even though you don't have to pay Federal and State taxes on these sums.

Mr. Daughtrey expounded on that by stating that, although the premium to VRS is deducted pre-tax, it reduces taxable income dollar for dollar so the employees don't have to pay Federal and State tax but FICA is due at 7.65%. That is now reduced by a 2% rebate but employees will have to pay 5-6% on the increase.

In response to Councilman Stuart's question on whether the entire 1% is needed, Ms. Bunting responded that sample payrolls were run to determine the percentage needed.

Councilman Stuart also inquired about the educational reimbursement and Ms. Bunting explained that the only group currently receiving an education supplement is public

safety. She stated that cost of education is factored into job salaries and range at the onset. Since a degree isn't a minimum requirement for police and fire personnel, it isn't factored into their starting salaries. The educational funding isn't a supplement but rather is added on over 26 pay periods. Councilman Stuart stated that we need to ensure that our public safety programs are intact.

Vice Mayor Wallace indicated that he would like to see the numbers where the community believes a degreed police officer is a better police officer.

Ms. Bunting continued stating you would spend to keep people whole but you are just keeping them whole and not increasing their take home pay at all. It does, however increase the base salary which also raises the entire retirement base. The change which saves money is by going to a hybrid system but that won't be discussed until the afternoon session since it has no impact on the FY13 budget.

Ms. Bunting stated that employees are dealing with increased costs. If you fund a cost of living increase, each 1% equals \$726,000 from the general fund. If the City does a bonus like last year, the estimated cost is \$1.6 million. There are more vacancies this year than last. Last year an employee bonus of \$500 was grossed up so people would net \$500. Grossing up a \$500 net bonus for full time and a \$250 net bonus for part time is \$1.4 million. That would make employees whole for last year.

The City Manager gave a hand out to poll for employee options.

Ms. Bunting stated that employees prefer a cost of living salary increase and that is what she would recommend if there was enough money. It would require recurring money and it isn't wise to spend one-time money to fund increases which you can't maintain the next year. She stated she was looking for money to do a one-time bonus, wants to make the employees whole with respect to VRS, and to give a bonus slightly more than last year so the employees will be doing better.

Councilman Moffett expressed that he wanted to understand as there are employees who have served the City and have been stretched very thin. At some point there are diminishing returns. Quality people will go the extra mile but everyone deserves a pat on the head. He said this proposal should be seriously considered and explained to the public so they will understand. There are employees stretched to the limit and loyalty goes both ways. The citizen surveys say City employees are doing a good job and having people do two or three jobs isn't the way to treat people.

Ms. Bunting stated that everyone shares concern about what residents pay but the employee situation is at a breaking point where Hampton has 12.88 people per capita when neighboring localities have 14.5 or 15.8. That fact speaks to our efficiency. Hampton's employees are doing more with less. When they do that and don't get salary increases for successive years, employees may wonder why they should give discretionary effort when they don't feel valued. There is a good portion of the workforce which is considered exempt and work over 40 hours a week and they don't get overtime. When employers appear not to care, employees stop giving the extra and discretionary efforts which make the difference.

Mayor Ward stated that when she first came to the City, salary increases were given based on merit. She inquired if an analysis could be done based on the cost of a merit approach as opposed to a cost of living increase.

Ms. Bunting stated that Hampton has never done both. The City has merit based pay. There was one time that a cost of living increase was done but the practice is merit pay.

Mayor Ward indicated that she would like to look at the numbers.

Ms. Bunting continued that she was looking at perhaps a \$1,000 bonus for employees with a merit rating of 4-5 (on a scale of 1-5) and perhaps \$750 for those rated a 3.

Ms. Bunting stated that the employees will have an increase in the cost of health insurance. Hampton's tradition has been to share in picking up a portion of the increase with the employee also picking up a portion of the increase so there is shared responsibility in managing costs. Since every employee doesn't use insurance, if an increase in cost was picked up totally, some employees would benefit while others would not.

In response to Vice Mayor Wallace's request for clarification, Ms. Bunting said some employees would get more compensation since they participate in the insurance plan while some employees opt not to use the hospitalization. Vice Mayor Wallace stated that those employees choose not to be covered by insurance.

In response to Councilman Moffett's question on the number of employees who do not participate in the insurance program, Mr. Daughtrey indicated that 80% of the workforce participates and 20% doesn't but he doesn't have data on whether employees may have chosen not to participate due to affordability issues.

Councilman Moffett expressed to the City Manager that he believes she is going in a positive direction as he has had situations in the past where he received a salary raise but, because insurance premiums went up, he ended up with less take home money.

Ms. Bunting stated that the City has traditionally shared increases in insurance premiums as a way of illustrating increased costs.

Ms. Bunting said non-monetary incentives could be helpful such as a 37.5 hour work week instead of a 40 hour work week. In response to Vice Mayor Wallace's question about when overtime pay would kick in, after 37.5 hours or after 40 hours, Ms. Hudson, said the City could pay overtime at whatever point they choose but it is required after 40 hours.

The City Manager indicated that, over the years, there have been different ways departments have handled the work week. While it has always been 40 hours, in the past people in some departments were allowing people to take an hour for lunch each day which meant they were working a 37.5 hour work week. Some employees feel like they lost something when held to the 40 hours required.

Councilman Stuart asked if the 37.5 versus 40 hours work week lends itself more to City Hall employees or those in the Ruppert Sargent building and, if so, would it impact

operating hours. Ms. Bunting stated the normal hours are 8 a.m. – 4:30 p.m. and there would be no need to change the hours.

Ms. Bunting stated another non-monetary benefit which could be considered would be conforming to the State holiday schedule which would mean another two days of holiday.

In response to Councilman Stuart's request if this would mean the day after Thanksgiving would be a City holiday, she responded that it would be and also the State does two days for Lee-Jackson and Martin Luther King, Jr. and that's where you get the two additional days. Councilman Stuart observed that the four day weekend would be wonderful for staff but possibly inconvenient for citizens.

Ms. Bunting said that the State and local neighboring municipalities already have the day after Thanksgiving as a holiday.

In response to an inquiry by Councilman Stuart, Ms. Bunting stated they were classified as administrative days so holiday pay doesn't apply but instead employees are given time off. This means a gain of time for the employee but not at a cost to the taxpayer. It does cost productivity but the City of Hampton would conform with whatever the Governor said.

Councilman Stuart asked if we couldn't change Hampton's schedule to add two days instead of saying Hampton would conform to the Governor's schedule.

Ms. Hudson stated that the City offers a floating holiday (employee's birthday) but the City Manager could always modify the State schedule so we wouldn't be tied to it.

Vice Mayor Wallace stated that the two additional days would not be discretionary as they are State holidays.

In response to Councilman Stuart's question about how the employees might receive this, Ms. Bunting stated she believed it would be appreciated and, alone, it wouldn't be enough but with a bonus or raise and picking up the extra VRS, she was making an effort to give the employees a little extra to say that they are valued and we care about the employees and their families.

Councilman Stuart inquired about the number of four day weekends in the year and if schools were closed the extra day. Ms. Bunting replied that the school calendar doesn't necessarily mirror the State calendar.

Ms. Bunting stated that additional leave might help newer employees who have not yet accumulated leave and there isn't much actual cost but there is a cost in productivity.

Councilman Moffett suggested that we might consider a different scenario where supervisors are given permission to award a day or two of time off as a reward to employees for extra effort. Ms. Bunting clarified that this would mean not having additional leave for everyone but rather empowering managers to issue leave as a reward.

Councilman Tuck asked if the intent is to do something for all employees, setting it up that way wouldn't ensure that. Ms. Bunting stated that the decision might be to do both – State holiday schedule and also empowering managers to give additional time off as a reward.

Ms. Bunting stated that many employees have expressed a desire to be physically fit and she is investigating corporate memberships or possibly free use of community centers. She is investigating the cost now and wants Council to think about these possibilities and to share guidance. She expressed her desire for a raise or bonus plus one of the non-monetary options as a package.

Councilman Stuart asked her opinion as to the optimum combination.

Ms. Bunting stated that the City is fiscally constrained so a recurring salary increase is challenging. The bonus package would be one-time money. Her preference would be to make up the VRS contribution at 6%, give a tiered bonus, one or more of the leave options and, if pricing is favorable, possibly one of the fitness options too.

The discussion changed to revenues.

Mr. Daughtrey stated that assessments are down. Ms. Bunting stated that if the real estate tax rate is raised, due to the funding formula in place, those revenues are shared 50/50 with the school system. Unless there is a dedicated tax, roughly 61.83% of all residential real estate tax revenues go to the schools.

Councilman Moffett expressed a desire to have a discussion with the School Board about this. He expressed frustration that all he knows is from reading the newspaper and he wanted to know when the School Board would communicate with City Council.

Ms. Bunting indicated that she has requested buddy meetings and was told the individual School Board members would be calling members of the City Council but they want to wait for buddy meetings until after the State budget is released and they want their formal presentation to be at the first public hearing on the City's budget.

Councilman Moffett asked the anticipated timeline and stated that everyone cares about Hampton's children. He stated that, if he were a School Board member, he'd be coming before the City Council to make a case for additional funding. It appears the students are being held before the City Council almost as hostages when the two bodies should be working together, not only for educational value, but because it impacts the City's economy. This should be a joint effort and he is on record as saying it before. The City Council cares about schools but the case for additional money needs to be made. The bodies should work together and it can't be done in a vacuum and there shouldn't be a public debacle over schools.

Ms. Bunting indicated she appreciates the point and she has inquired and been told that there is a power point presentation on the school budget which is available for review.

Councilman Stuart indicated everyone received an e-mail from a cafeteria monitor and there needs to be an incredibly clear, concise explanation of what the funds being requested are needed for and where they are going.

Ms. Bunting stated that the schools have tried to scale back on administrative costs but she doesn't have full access to the information needed to answer questions and she isn't the one who should articulate their needs.

Vice Mayor Wallace reminded everyone of the point in the 90s where the two bodies were coming at each other so the buddy system was developed. That resulted in good communication but now it appears we're at the point of a public confrontation.

Mr. Daughtrey stated that Newport News is proposing to go up 25 cents on their personal property tax rate. Ms. Bunting stated this revenue would also be shared with the schools at roughly a 50/50 split. She expressed that this hits people harder since it is paid in June and December where real estate taxes are often handled by escrows.

Mayor Ward said that isn't necessarily true as citizens can pay their personal property taxes monthly if they wish. Some people do pay their real estate taxes in June and December as when you are paying by escrow, you are actually paying in advance. She also stated that cars valued at \$1,000 and less are exempt and citizens are now paying significantly less in personal property taxes.

Ms. Bunting stated that Newport News chose to increase the personal property tax rate as they felt it was preferable to the real estate tax rate for a variety of reasons. She shared the personal property tax rates from some neighboring localities.

Mr. Daughtrey shared figures on the neighboring localities' meal taxes.

In response to a question from Councilman Tuck, Ms. Bunting stated that staff has not recently approached restaurateurs about their thoughts on the increase but it has been done in the past. She stated that no one wants increased taxes but this one is passed along to the consumer so it is generally more palatable. Additionally, it appears that people don't spend less in times of recession. Mr. Daughtrey said this tax has been one of the better performers.

Councilman Stuart indicated he'd like to see some conclusive evidence from restaurant owners. Vice Mayor Wallace reminded everyone that the meals tax is also paid by non-residents of Hampton.

Ms. Bunting said that she would be concerned about raising this alone but with the increase with Newport News, she doesn't think people will drive to another locality to dine out.

Mr. Daughtrey spoke about the motor vehicle license fee and Mayor Ward indicated it could be made as high as the DMV rate. Ms. Bunting said this is a tax where apartment dwellers contribute directly. Mayor Ward said the personal property tax is in that case too and there are many different classes of vehicles.

Mr. Daughtrey indicated that Newport News raised their cigarette tax rate by 10 cents and Hampton raised it 10 cents last year. Mayor Ward stated that this is a regional issue as they should be priced competitively with Hampton's neighbors to keep people from driving elsewhere to purchase cigarettes. Councilman Stuart indicated that a locality on the other side of the James River advertises no cigarette tax. Councilman Moffett said

that this tax increase would hurt Mom and Pop stores so he is hesitant to change it. Mayor Ward stated that, by State law, counties are not allowed to tax cigarettes.

Mayor Ward requested data about the last time the personal property tax rate was increased and the impact that the Personal Property Tax Relief Act has had along with when it went into effect. She continued that Hampton hasn't changed the tax rate since then (2000 or perhaps 2002) and, just before that, it was actually lowered.

Councilman Tuck asked for trend information for the past year in terms of whether people are keeping their vehicles longer. Mr. Daughtrey shared that vehicles which are better on gas are holding their value longer. Ms. Bunting stated personal property tax revenue is actually on an upswing. Mayor Ward stated there are better means of valuation now where previously there was simply the blue book.

Mr. Daughtrey introduced the topic of fire prevention support. In response to Mayor Ward's question on fire response fees, Ms. Bunting stated the total based on FY11 was \$277,904 with the write-off for uninsureds being \$922,892. Mayor Ward inquired if that was the number of people where it couldn't be determined if there was insurance. Ms. Bunting stated that staff always tries to verify insurance but sometimes it can't be verified and it is billed three times before it is written off.

Mayor Ward asked if there are people in Hampton who call repeatedly who are not insured or who haven't provided insurance information. The City Manager responded that it isn't a huge problem but there are some frequent repeat customers and those calls are typically not an emergency transport but rather a medical transport.

Councilman Stuart suggested that we need to figure out what the best practice is on this issue to determine if we can have an effect which reverberates for many years. Ms. Bunting said that this doesn't represent a large number and the billing company has an incentive to accomplish the collections but agreed to see if there was something more that could be done.

In response to Mayor Ward's question about the total number collected now, Mr. Daughtrey responded that it is \$3 million. He also responded that the collection rate is 8%.

Vice Mayor Wallace asked if co-pays were written off. Ms. Bunting responded that it was a policy question and the City decided to try to go after the insurance money but not the co-pay. A case could be made to revisit the policy and the majority could probably be collected.

In response to a question from Vice Mayor Wallace, Ms. Bunting responded that the responders do not actively solicit donations.

Mayor Ward indicated the collections could be done cheaper in-house. Ms. Bunting stated that she has talked with the Treasurer about it, and they may start by trying collections on delinquent accounts, but the Treasurer was a bit nervous about it. Mayor Ward stated that it should be revisited. The City Manager indicated it would require additional staff positions for the Treasurer. Mayor Ward estimated the City might save half.



Mr. James Gray, Assistant City Manager, indicated that the new contract increased the percentage paid for collections but new equipment replacement cost was built in.

Mr. Daughtrey introduced the topics of the Lodging tax and Marketing.

Ms. Bunting stated that one idea had new revenue going directly to the Conventions and Visitors Bureau (CVB) but there was fear that the funds wouldn't continue so there was a hesitancy to do so. The hotels were also against the idea but some believe that the hotels themselves should fund the efforts of the CVB.

Mayor Ward asked where Hampton is now as she is trying to understand the math. In response, Ms. Gloria Washington, Budget Director, stated that we are at 8% as is Richmond, Norfolk, Portsmouth and Chesapeake. Newport News is at 7.5% and Roanoke is at 7%.

Vice Mayor Wallace stated it appears we are competitive in percentage but with a room night charge we could still be competitive. Mayor Ward wanted to see additional numbers.

Councilman Stuart suggested that the hotels play a video in each room which highlights things there are to do in Hampton.

In response to Councilman Stuart's question on the technology fee, Mr. Daughtrey said that Community Development would add it to zoning applications, building permits, etc. There are approximately 6,500 permits each year. In response to Councilman Stuart's question on an end date once the technology is purchased, Mr. Daughtrey explained the goal is to stay current where Hampton doesn't end up having to compete with services which other localities are already offering. Customers want the technology upgrades so they can save the money of driving to City Hall.

Councilman Stuart inquired if the Clerk of the Circuit Court might have to implement a technology fee later when they move from the old Courthouse. Ms. Hudson responded that they are not as highly automated as some other localities.

Ms. Bunting stated that concluded discussion on revenues and there is information to be discussed on the expense side.

Before leaving the revenue discussion, with respect to the lodging fee, Councilman Tuck asked if assessments are tied to revenue as Embassy Suites lost another \$8 million. He indicated if that was tied to revenue, we might not want to put something else on them.

Ms. Bunting stated that the discussion on the expense side largely focuses on staffing and personnel discussions which are properly considered during a closed session. These topics also have a variety of pros and cons on each and the staff wanted to give Council a range of options.

2. 12-0114 Closed Session as provided in Virginia Code Section 2.2-3711.A.1 for the discussion of personnel matters related to budget reduction.

APPROVED

**Motion made by:** Councilmember Donnie R. Tuck

**Seconded by:** Councilmember Christopher G. Stuart

**Ayes:** 5 - Will Moffett, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace, Molly Joseph Ward

**Nays:** 0

**Absent:** 2 - Ross A. Kearney, II, Joseph H. Spencer, II

At approximately 11:20, a closed session motion was made by Councilman Tuck and seconded by Councilman Stuart.

3. 12-0113 Resolution Certifying Closed Session

**WHEREAS**, the City Council of the City of Hampton, Virginia, has convened a closed session on this date pursuant to an affirmative recorded vote made in accordance with the provisions of the Virginia Freedom of Information Act; and

**WHEREAS**, Section 2.2-3712D of the Code of Virginia requires a certification by the City Council of the City of Hampton, Virginia, that such closed meeting was conducted in conformity with Virginia Law;

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Hampton, Virginia, hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the city council of the city of Hampton, Virginia.

ADOPTED

**Motion made by:** Councilmember Donnie R. Tuck

**Seconded by:** Councilmember Christopher G. Stuart

**Ayes:** 5 - Will Moffett, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace, Molly Joseph Ward

**Nays:** 0

**Absent:** 2 - Ross A. Kearney, II, Joseph H. Spencer, II

The meeting was adjourned at 12:09 p.m.

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Molly Joseph Ward  
Mayor

\_\_\_\_\_  
Katherine K. Glass, CMC  
Clerk of Council

Date approved by Council \_\_\_\_\_

